

Chapter 21

Unearned Revenue

21-1. General

Unearned revenue is an advance received from a customer. Unearned revenue is common for FMS cases (prior to October 1, 1986), DBOF-DMA, Conventional Ammunition Working Capital Fund (CAWCF), and public sector customers. Cash advances are required when the orders are accepted. Record the "Orders Received" only to the extent of cash received in advance for orders received from the public and FMS. (See Chapter 12.)

21-2. Professional requirements

Accountants will be familiar with--

a. Generally accepted accounting principles and policies related to unearned revenue, and advances from customers.

b. The procedures and criteria used to recognize unearned revenue in the accounts of the installation as an order and an earning.

21-3. Responsibilities

a. Finance and accounting officers/defense accounting officers are responsible for ensuring that all revenue (earned or unearned) is properly accounted for in the appropriate accounting period.

b. Accountants will ensure--

(1) Orders received from the public are not accepted and posted to the accounting records before cash is received in advance. Orders for FMS cases are accepted and posted when evidence of cash payment, dependable undertaking, or alternate financing is received by the Security Assistance Accounting Center (SAAC). See Chapters 6 and 12 for the exception for emergency orders.

(2) Unearned revenue is reduced as earnings are applied to the order.

(3) Subsidiary ledger and general ledger accounts are properly posted and reconciled.

21-4. Accounting for unearned revenue

a. Record an advance or prepayment received as a liability until payment is earned (goods or services are delivered or contract terms met). After the payment is earned (performance has occurred), record the appropriate amount as revenue and reduce the liability.

b. Unearned revenue must never exceed the unfilled order.

c. Process advances received as collections and record as a liability. The liability account is intended to record and control advances that are identified by the special 950 series project accounts (see AR/DA Pam 37-100-FY). Maintain a record of advances received and settlements made for each order. Maintain orders received with outstanding advances separately. The sum of the outstanding balances in

separately maintained advance files must agree with the "Unearned Revenue" general ledger account.

d. When goods are shipped or the services are performed, the performing agency will prepare an SF 1081 to transfer the value of goods delivered or services rendered. Transfer from the accounting classification containing the special project account(s) to the appropriation reimbursement account. It is not necessary to validate the voucher as a normal payment. If necessary, account as a journal voucher adjustment to assure processing in month earned.

e. The disbursing officer will maintain advances received by the U.S. Army from friendly foreign nations. Table 21-1 shows the accounting classification to be used to account for these advances. Upon request for reimbursement from the nation that made the advance, verify the amount shown in the advance account with the amount of reimbursement requested. Prepare an SF 1034 charging the advance account 0975 (See DA Pam 37-100-FY). Cite the FSN of the disbursing officer, per the DoD Financial Management Regulation, DoD 7000.14-R, Volume 5 and Chapter 40 of this regulation.

f. Valid unearned revenue liabilities remain in the performer's closed account. When accounts are closing, performers will not return to customers valid advance collections (unearned revenue) received from customers prior to the performer's account closing.

21-5. Reporting unearned revenue

Report amounts representing outstanding advances on the RCS CSCFA-112/CSCAA-118 (Status of Reimbursement) reports (see Chapters 29 and 30) as credit reimbursement receivables.

Table 21-1. Advances From Other Sources

| Type of Advance | Dept, FY, Basic Symbol, & OA | ASN | Project | EOR | FSN |
|--|---|------|---------|------|------------------------------|
| Advances from armed forces of friendly foreign nations | Funds of the activity performing the work | 9975 | 0975 | 4140 | FSN of the settlement office |
| Advances from non-Federal sources and SAAC | Funds of the activity performing the work | 9945 | 0945 | None | Servicing FSN |
| Advances from other government agencies | Funds of the activity performing the work or services | 9946 | 0946 | None | Servicing FSN |